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LS 5-1024A

Approved For Release 2001/08/27 : CIA-RDP59-00882R000100010008-9

12 May 1955

OGC HAS REVIEWED.

MEMORANDUM FOR: Comptroller

SUBJECT : Accounting for Funds Furnished Agents
Penetrating Denied Areas

REFERENCE : Memorandum to Comptroller from Chief, Finance
Division, dated 11 April 1955 - Approved by the
Comptroller and Concurred in by Chief, Audit Staff

1. This Office perceives no legal objection to the general objectives and procedures set forth in reference, which was forwarded to this Office for comment by your memorandum of 27 April 1955.

[REDACTED] We also think the procedures envisaged are consistent with the requirements of R 30-100, the general regulation concerning the utilization of confidential funds.

2. We do have the following specific comments:

- (a) As stated, we are in complete agreement with the objectives of the memorandum as we understand it, namely, to establish realistic accounting procedures with respect to funds passed to denied area agents who, because they are in denied areas, either cannot maintain records or do not exfiltrate. The Finance Division memorandum, however, does not confine itself to this specific objective. That is, the memorandum proposes to apply the stated accounting procedures to all funds authorized under projects "which have as their objective the penetration of . . . denied areas" (paragraph 1-a). Such projects may also involve the passing of funds to some agents who are not to penetrate a denied area, or funds to agents who are to penetrate a denied area but are to utilize the funds for other purposes and under circumstances permitting the application of normal accounting procedures. To meet this point, revision of a number of paragraphs substantially as follows is suggested:

"1-a. FI Projects are activated from time to time which contemplate the funding of agents who are in denied areas or who are to attempt to penetrate such areas."

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"1-b. Confusion has arisen as to the nature of, and extent to which, accounting is to be accomplished for funds authorized to be passed to agents in denied areas, or to be passed to agents who are to attempt to penetrate such areas in connection with such attempts."

"2-a. It is not realistic to require nor to expect detailed accountings by these agents with respect to such funds, since in many", etc.

"3-a(1). Such funds should be charged to" etc.

"3-a(2). Case officers and other funding agents who pass such funds should support", etc.

- (b) Should not provision be made for the case in which the Area Division Chief makes the certification authorized by paragraph 3-a(4)(b) and the agent nevertheless thereafter ex-filtrates?
- (c) What of the case in which funds are passed to an agent to penetrate a denied area who, for whatever reason, does not penetrate the area? In some cases, accounting for such funds should be by normal procedures; in other cases, the procedures proposed in reference should apply. Provisions for these situations should be included.
- (d) It is believed the proposal is basically one of substance rather than accounting procedures, and should be made the subject of Agency regulations. The regulation, therefore, should emphasize operational rather than accounting aspects. To this end, it is suggested that appropriate operating elements be consulted in drafting the regulation.

3. The file is returned herewith.

OGC:RHL:ss

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